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Baring, (Sir) Francis
Observations on the
publication of Walter Boyd

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OBSERVATIONS

ON THE

PUBLICATION

OF

WALTER BOYD, ESQ. M. P.

BY

SIR FRANCIS BARING, BART.

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OBSERVATIONS, &c.

I HAD read, with great attention, the publication of Mr. BOYD on its first appearance; but although I did not agree with him in opinion, as to the manner in which he applied the various facts and arguments which he has discussed, and still less as to the conclusions he has drawn from them; yet I had not the slightest intention to obtrude upon the Public any observations on my part, until I found that in some circles the work had made an impression, and contributed to raise an alarm.

We have too much reason at this moment for alarm, that whenever it appears in a new form, I conceive it to be a duty, in the performance of which I may render service to the

Public, to throw some light on the subject, and enable them to examine into the cause, for the purpose of forming a sounder judgment. This appears to me to be particularly necessary on the present occasion ; for if an impression of alarm is suffered to remain on such a subject, in the actual situation of the country, and with the prospects before us, no conjecture can be formed of the consequences which may possibly result from it.

A considerable portion of Mr. BOYD's Letter contains facts and principles which are indisputable: no intelligent person can doubt but that when paper circulation is pushed much beyond reasonable and proper bounds, and that bullion disappears in a comparative degree, the prices of all commodities (including provisions) must feel the effects. This is no new discovery ; it has been the alphabet or first principle of every financier and merchant for above a century. If Mr. BOYD, instead of occupying so much of his time in stating principles which
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are so well understood, and universally admitted, had explained more fully the manner in which those principles apply to the object in question, it is probable that he might have induced me to view his publication in a very different light from that in which I consider it at present.

If the real object of the publication be what the title-page professes or avows (and of which I shall take notice hereafter), the facts and arguments ought to be clear and incontrovertible ; for they evidently tend,—

In the first place, to lessen that confidence which has hitherto been reposed in the circulating paper of the Bank of England:

And, further, to induce the Public to believe that the excessive dearness of provisions arises from the circulation of Bank Notes, which may lead them to seek for relief by their reduction or suppression.

It would be difficult for the ingenuity of man to advert to means more likely to produce general embarrassment if effectually disseminated, and universally believed. I do not suspect Mr. BOYD of such an intention; at the same time, I am rather surprised that he was not aware of the mischief that might ensue. Those who have a practical knowledge of the subject, have not been deceived on the occasion; but the ignorant, and more particularly the half-informed, are too much disposed to place confidence in a name, and still more when they find that a large portion of the principles on which the book treats, are undeniable. These reasons have induced me to solicit the attention of the Public, although it is with great reluctance that I attempt to controvert the opinion of any person, and particularly that of Mr. BOYD. But whilst I consider the Bank of England as the sheet anchor for property of every description, I shall be ready to apply my best endeavours towards its support on every occasion; and I am sure that

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impartial,

impartial, well-disposed persons must approve of any attempt to remove from the minds of the Public a groundless expectation of relief from the privation and poignant distress they labour under, by adverting to means which are pregnant with such calamitous consequences.

I shall consider, in the first place, those observations which apply to Bank Notes; and without travelling (unless in a very slight degree) out of Mr. BOYD's book, I hope to prove that the paper issued by the Bank, has never exceeded the wants, and even the convenience of the Public, still less that it has operated to produce any advance in the price of provisions. I am inclined, moreover, to think that, after considering the whole of the publication maturely, and combining its various parts, Mr. BOYD is himself of opinion that there is rather a want than a superabundance of paper, to answer the purpose of a circulating medium.

The

The amount of Bank Notes in circulation on the 26th of February, 1797, which he states at £8,640,250, cannot serve to support his argument, nor to illustrate the question; for the whole of the reduction did not arise from the usual ebb and flow of circulation, nor from circumstances of difficulty and distress, but from accidental and temporary causes, which are sufficiently known; but I am willing to consider the amount in circulation as the average of three years, ending December, 1795, at £11,975,573, and to appretiate the merits of the question between us, by comparing that sum with the returns on the 6th of December, 1800, at £15,450,970, making a difference of about £3,500,000.

This sum alone is a complete answer, in my humble opinion, to every argument of Mr. BOYD, in consequence of its comparative insignificance. Whilst the Minister contemplates, with so much satisfaction, the growing prosperity of the country arising out of an addition of near three
hundred

hundred millions to the National Debt, Mr. BOYD attributes famine and prospective ruin to an addition of three millions and a half to its paper circulation. I really did not expect to find in him so minute a calculator, at a time when milliards are become so familiar to us ; I should rather have expected that he would have overlooked so small a comparative sum as three millions and a half, than that he should have attributed to that sum such very important and serious powers and consequences. But I must beg to draw the attention of the Public to the Appendix of Mr. BOYD, where they will find a plan for a new Bank in April, 1796 (which is, no doubt, inserted for some purpose, although no mention is made of it in the Letter) with the proceedings on the occasion ; all of which breathe sentiments of difficulty and even great distress, because the circulation of the Bank of England (on an average about twelve millions) was inadequate to the increased circulation and commerce of the country.—If twelve millions is not enough, how much, or what

what proportion of three millions (for I propose to account for the half million separately) will Mr. BOYD add, to render the sum of twelve millions adequate to the increased circulation and commerce of the country?

If I consider the contents of his Letter only, I must conclude that his opinion is totally changed: but, in that case, what is the reason for introducing the plan and proceedings of April, 1796, into the Appendix?—When that plan was under discussion, let us suppose for a moment that it had been adopted: would Mr. BOYD have been satisfied with an addition of three millions and a half to the average of twelve millions?—No; I remember well what passed at the time, and that he would have considered fifteen millions and a half of paper as very inadequate to furnish a circulating medium for the country. Let any impartial, but intelligent person say what proportion of the three millions ought to be added to the twelve millions solely for the convenience and benefit of the country? Still
more,

more, if the question be asked, what can be added without injury to the country? and the most timid mind will be relieved from apprehension on the subject.

I do not enter into a consideration of the balances due on private accounts, as mentioned by Mr. BOYD, nor many other circumstances which attach to the Bank: I only wish to enquire whether the country is overwhelmed with Bank paper? and how far Bank Notes tend to increase the price of provisions?—It should be remembered that since the period which includes the average before mentioned, the Bank have advanced three millions to Government for their charter;—whether that sum, or what part of it may safely enter into the general circulation, depends on numerous circumstances which cannot be appretiated without information that can only be obtained within the Bank. The additional sum of half a million, or thereabout, I consider as the result of circulating Notes under five pounds: whether

whether it be more or less, is not material; but whatever may be the amount, it ought to rest on separate and distinct ground.

When such gloomy presages arise, from the existence of a paper circulation of fifteen millions and a half, let us consider for a moment the enormous sums which it helps to move, and with a facility which nothing but long experience can reconcile to our belief.

The National Income, Loans, &c.

suppose - - - - £50,000,000

The Exports - - - - -

The Imports - - - - -

The internal or domestic Trade

Private Circulations to an enormous amount

Agriculture, Shipping, Mines, &c.

It has hitherto been beyond the power of human research to ascertain correctly the causes and mode in which this immense machine moves; and yet the fact is beyond a doubt. We may consider, with wonder and astonishment, the

the small space which the sun appears to fill in the firmament, while we know and feel that every part of our globe benefits by the vivifying effects of its rays. The Bank of England is, to the Agriculture, Commerce, and Finance of Great Britain, its sun: and the circulation of fifteen millions and a half of its paper is the basis on which its convenience, property, and safety have hitherto rested.

I am the more surprised that Mr. BOYD should attach so much importance to the magnitude of the sum which is now in circulation, when he must be aware of the facility with which it can be reduced. If it be necessary to reduce the fifteen millions to ten, an addition of five millions to the annual loan will immediately produce the effect. And he cannot suppose that any Minister will hesitate a moment to bring forward taxes in 1801, to pay the interest of the five millions, if he can obviate thereby any real difficulty to the circulation of the Bank; and still more, if he can reduce the
price

price of provisions in the present situation of the country. But I cannot do more than repeat my surprise, that it should enter into the mind of any intelligent man to entertain a doubt with regard to the present situation of the Bank, by comparing that situation at different periods ; especially as they have been enabled to receive large deposits of gold for a great length of time, and which must still remain in their coffers. If Mr. BOYD be disposed to impute to the Directors a desire to augment the profits of their constituents, it may be so ; but if they launch out too far for that purpose, it is a step that may be easily and almost instantly retrieved ; and I have the most perfect confidence in the discretion of the Directors on that subject. If he imputes to them a disposition to yield too easily to the wishes of the Minister, there can be no doubt on that head, as the fact has been proved. And for that reason I humbly conceive that, so long as the Bank shall not pay their Notes in money, either the extent to which those Notes shall

shall issue, ought to be limited by Act of Parliament, or there should be an annual return of the highest amount of their Notes in circulation the preceding twelve months, to be laid upon the table of the House of Commons. The sum in circulation on the 6th of December, 1800, was £15,450,970, which is sufficient information for the present year.

I would not propose either limitation as to the amount, or the publicity I have described, if I were not persuaded that it need not prove any obstacle to the operations of the Executive Government : for I can speak from the experience of the last, as well as the present war, that if the Minister, for the time being, had raised sufficient sums within the year to answer the expenditure, no improper assistance could have been required from the Bank, and the Public ought to have been spared the alarm which some minds must suffer from discussions like the present, because it may be convenient to Ministers not to bring forward the total amount

of taxes necessary to cover the real expenditure of the year.

I shall now proceed with my observations on the effect which Bank Notes are supposed to produce on the price of provisions, and which lie in a narrower compass. Mr. BOYD has introduced much reasoning about foreign Exchanges, which does not appear to me to apply to the question, and, in many instances, he staggers the opinion I have hitherto entertained of his knowledge of the subject. He applies the ebb and flow of foreign Exchanges as the lever which moves the *whole* of the produce and trade of the country, internal as well as external. It operates, no doubt, upon the price of imports, (no further, however, than the exact difference of the rate of Exchange); but with regard to British produce and British manufacture, it operates solely upon the *surplus*, after the wants for the internal consumption of the country has been supplied. Bullion, paper,
and

and the rate of Exchange regulate each other ;
 not so the internal trade of the country. Let
 us try it by a case in point, and a case which
 applies to the whole of the question—I mean
 the price of wheat ; and let us suppose that
 it sells in the market for 150s. and that the
 Exchange is 10 per cent. against us ;—from
 the price of 150s.
 Deduct the difference of Exchange . . . 15s.

If the Exchange were equal to Bullion,
 it would be 135s.

So far Mr. BOYD is right with regard to
 wheat imported from abroad ; but it remains
 for him to prove that, if the Exchange on
 Hamburgh was 33s. instead of 30s., the
 farmers in Essex, Kent, &c. would sell their
 wheat for 135s. instead of 150s. ; and what is
 more, he ought to prove that, when the Ex-
 change on Hamburgh is at 33s. the Essex
 farmer would get as much by the price of 135s.
 as he would by the price of 150s. when the

Hamburgh Exchange is at 30s. If he cannot prove this, he must admit that the foreign Exchanges have no influence or effect upon the price of corn grown in this country.

When the state of the foreign Exchange is low, we are disposed to be alarmed, because it calls for bullion; but, on the other hand, it produces a good effect, by furnishing the means of exporting a large quantity of goods and merchandise, which occasions the rate of Exchange to advance by degrees when the bullion returns to this country.

Perhaps Mr. BOYD is not aware in what manner his own quotations and his own arguments may return against him by the delay of a few days. In the Introduction, dated the 31st of December, 1800, he observes that since his Letter was written, the Exchange on Hamburgh had fallen from 31s. 10d. to 29s. 10d. which he considers as an additional proof of what he has advanced. In that case he must admit that, when the Exchange rises, it must produce

produce a comparatively favourable effect. On the 2d of January, 1801, the course on Ham-
burgh is printed 29s. 8d. and on the 30th of
January it is printed 31s. 8d. a difference of very
near 7 per cent. ; and yet we do not perceive
the slightest effect it has produced in lowering
the price of provisions, or other commodities
grown and consumed in Great Britain, and
affords a most unequivocal correct answer to
the whole of his argument with regard to
the foreign Exchanges.

The course of Exchange has, therefore, no
connection with the price of provisions grown and
consumed in this country ; nor can I guess in
what manner Bank Notes, which circulate at
par, can contribute, by any possible means, to
raise the price. If they were below par, and cir-
culating at a discount, it is evident that the
price of every thing must be higher for paper
than for gold, even more than the proportion of
the discount. But we have no such instance ;
the confidence in the Bank is perfect and entire,
nor will any person make the slightest differ-

ence in the price for which he sells his goods, whether the payment be made in gold or in Bank paper.

Some time has elapsed since the date of Mr. BOYD'S Letter, (the 11th of November). A most formidable confederacy has since appeared in the North of Europe against this country, and yet the confidence in Bank paper remains to this hour unshaken. An alarm, not very dissimilar, has been raised against Country Banks, who have been accused of enabling the farmers to hoard their corn, by making them advances of money : but the inhabitants of this metropolis are not aware of the total change in the situation of Country Banks in consequence of the war. Those which are established in seaports and great manufacturing towns, may still be considered as having commercial deposits, with which they must, in preference, accommodate their commercial friends ; but the general mass of Banks through the country look to the farmers for deposits and support, as the only persons who have money to employ. It is very rare that a
farmer

farmer wants to borrow; but the instances are not rare where he is able to accommodate even his landlord with a loan. I mention this circumstance merely to shew how easily, and with how little foundation, prejudices of this description are entertained.

It is remarkable what an extent of power and consequence Mr. BOYD is disposed to attribute to the increased circulation of Bank paper, which cannot be estimated to exceed three millions and a half by any document which has hitherto appeared.

This sum of three millions and a half is supposed to produce a difference in the Exchange on Hamburgh against the currency of this country of 14 per cent.

It is supposed to have occasioned a very considerable advance in the price of provisions and other commodities.

And (in pages 40 and 45) he appears to me to attribute to the same cause, the advance in the price of Stocks from £53½ to £64½, notwithstanding the addition to the funded debt of £168,946,920.

When I read this from the pen of Mr. BOYD, I hesitate and doubt my own knowledge and judgment; for I cannot understand how it is possible for the sum of three millions and a half to produce any one of the three effects which have been mentioned, still less to accomplish the whole, and indeed objects diametrically opposed to each other. If he means that a larger sum has been issued than what has been stated in the return from the Bank to the House of Commons, he ought to speak out. It is singular too, that he should attribute the advance in the price of provisions, and the advance in the price of Stocks to the same cause:—neither the Directors of the Bank, nor the Public, will be displeased if he can make good the latter part of his assertion.

The

The observations which occur to me on subjects of this description, are so familiar and so numerous, as to be almost inexhaustible. I trust, however, that I have said enough to satisfy the most timid mind that, on the 11th of November last, when Mr. BOYD's Letter was written, no cause existed which could possibly shake the confidence which had been reposed in the Bank; that none has appeared since; and that neither the quantity of Bank paper in circulation, nor the course of Exchange with Hamburgh, could contribute towards raising the price of such articles of provisions as are grown and consumed in this country.

I shall now request the attention of the Public to the papers contained in Mr. BOYD's Appendix, relative to the establishment of a new Bank, which I presume is intended to supply those defects, to which, in his opinion, the circulating paper of the Bank of England is liable. And I cannot help observing that some reason ought to be given why this plan, the principles

principles of which were refuted, as the plan itself was rejected at the time, is now brought forward. There is a degree of spirit and boldness in conceiving the idea of remedying the excess of paper circulation, by multiplying the quantity in a very considerable degree, and by adding a new description of paper to the medium of circulation; the more so, as that which has been proposed by Mr. BOYD, does not participate in the advantages which attach to Exchequer Bills and to Bank Notes, whilst it cannot avoid participating in every disadvantage which belongs to both, or either.

If Mr. BOYD's plan were adopted, the only circulating medium (I mean of paper) or its true representation, would still be Bank Notes; because the paper which he proposes, is to be discharged, *after* the expiration of *six months, with Bank Notes*. But with a view to make a more correct comparison, it will be necessary to state the paper which will be in circulation
under

under such an arrangement, omitting India Bonds, as the amount is comparatively small.

I shall mention, in the first place,

Exchequer Bills, with an interest

of $3\frac{1}{2}$ per diem, or per annum £ 5 6 3

The paper proposed by Mr. BOYD

six months to run, with an

interest of $1\frac{1}{4}$ per diem, or per

annum - - - £ 1 18 0

Bank Notes on demand—interest

none

A very superficial observer will perceive that the paper of Mr. BOYD cannot answer the purpose of those who wish to make a daily interest, because the Exchequer Bills afford an interest so very much superior; whilst the Exchequer Bills may always be paid into the collection of the Revenue after a certain period, and which affords the means of absorbing more than two millions of such paper every month,—a fund far more than sufficient to protect the security of

of the paper, and to answer every purpose. And it is further remarkable that, although Exchequer Bills carry an interest of $3\frac{1}{2}$ per day, they never did serve the purpose of *general* circulation for the sake of a daily interest, the foundation upon which the whole of Mr. BOYD's plan rests.

The paper proposed by him not only bears a less rate of interest, but the holder must wait *six months* for the payment, and at last receive Bank Notes, which the Public may have every day at the Bank of England without the least delay. But if Mr. BOYD finds fault with the conduct of the Directors of the Bank, are the Public inclined to repose more confidence in the twenty-four Directors of the new Bank, chosen, or perhaps guided, by himself?

When the plan was originally proposed, I considered it with the utmost attention, as I cannot avoid deeming it dangerous to every description of property if it had been adopted. The only
chance

chance that my apprehensions, in that event, would not have been realized, arose from its utter impracticability; for, after the most mature consideration, I cannot discover what description of persons would be disposed to receive and to circulate paper under the circumstances I have described. I am persuaded that it will neither suit the convenience, nor prove for the interest of Bankers or Merchants, nor advantageous for any commercial purpose whatever; in which case, if it could obtrude itself into any other part of the circulation of the country, its amount and extent must be very limited and confined. In every event, however, no circumstance could possibly justify an experiment, which, if it be calculated for France, never can succeed in Great Britain.

I have thus endeavoured to lay before the Public my reasons for entertaining a different opinion from Mr. BOYD on the material subjects of his publication; for I must entreat the reader always to recollect that, on some occasions,
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the principles which he lays down, are generally and theoretically admitted, and that it is against the manner in which he applies them, as well as the conclusions which he draws from them, that I object. Under this explanation, I conceive (and which I have endeavoured to prove)—

That on the 11th of November, (the date of his Letter) and also at this moment, the confidence reposed in the paper of the Bank of England was, and is, unshaken and complete.

That the amount of Bank Notes in circulation never was of such an extent as to produce the high price of provisions, and other commodities, in the manner described by Mr. Boyd.

That neither the Exchange on Hamburgh, nor foreign Exchanges in general, can ever operate so as to produce any material advance in the price of provisions, grown and consumed in Great Britain.

That

That the opinion of Mr. BOYD in his publication, wherein he reprobates the excess of paper in circulation, is in direct variance with the plan which is found in his Appendix, wherein he proposes to establish a new Bank, for the sole purpose of adding very considerably to the mass of paper already in circulation.

Finally, I trust that I have proved the impracticability of carrying into effect the circulation of any Bank established on the plan recommended by Mr. BOYD, so long as Exchequer Bills and Bank Notes maintain their present relative situation. But as I am aware that different opinions may be entertained on this point, I hope that I have at least urged enough to prevent the hasty introduction of any such plan or establishment, which may alter or affect the present paper circulation,—a measure which will surely never be adopted, without the most full and deliberate discussion.

F I N I S.



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